

*CONF REPORT*

THE  
CANADIAN  
CONVERTERS'  
COMPANY  
*file*  
LIMITED

FIFTY-EIGHTH ANNUAL REPORT  
DECEMBER 31, 1963



## DIRECTORS AND OFFICERS

### *Directors:*

David S. Dubin, C.A.  
Lawrence Finkelstein  
William A. Hutcheson, F.C.I.S.  
Seymour Finkelstein  
Ralph Levine  
Harry Dubin  
Claude Berger

### *President*

David S. Dubin, C.A.

### *General Manager*

Max Finkelstein

### *Vice-President*

Lawrence Finkelstein

### *Secretary-Treasurer*

William A. Hutcheson, F.C.I.S.

### *Stock Transfer Agents*

The Royal Trust Co., Montreal

### *Registrar of Transfers*

National Trust Co. Ltd., Montreal

## THE CANADIAN CONVERTERS' COMPANY LIMITED

460 ST. CATHERINE ST. WEST, MONTREAL, CANADA

*Offices serving Canada, the British Commonwealth and foreign markets.*



## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your directors take pleasure in submitting this 58th Report together with the Financial Statements for the fiscal year ended December 31st, 1963 as certified by the Company's auditors.

The Financial Statements are presented on a consolidated basis to reflect the manufacturing operations of the Company. The consolidated net profit for the year under review is \$218,250 after providing \$93,341 for depreciation of fixed assets and \$20,786 for income taxes.

The Working Capital amounted to \$2,042,541 compared to \$1,264,468 at the end of the previous year, an improvement of \$778,073. The Long-term Debt was increased, however, by \$498,290 and amounted to \$1,630,380. It is to be noted that the current assets exceed all the liabilities by \$412,161.

The Shareholders' Equity increased by \$218,250 — the earnings for the year which were reinvested in the Company to augment the working capital.

Your attention is drawn to an item of \$124,680 sinking fund debentures included in the Long-term Debt. These debentures maturing October 1st, 1968 are part of an issue of \$597,915 outstanding issued by Tooke Bros. Limited in 1953. Your Company acquired control of this company in July 1959 and holds in excess of 75% of the principal amount of these debentures, the balance of \$124,680 being held by others. In accordance with the provisions of a Trust Deed entered into between the Royal Trust Company and Tooke Bros. Limited dated October 1st, 1953, your Board of Directors passed a resolution on April 20th, 1964 sanctioning the cancellation of these debentures by their exchange and conversion into fully paid and non-assessable preferred shares of Tooke Bros. Limited on an equivalent par value basis. The net result will be that your Company will receive additional preferred shares of Tooke Bros. Limited and will not be called upon to finance the disbursement of \$124,680 which would otherwise be required on October 1st, 1968. This will also effect an annual saving of \$6,234 in interest charges.

The year under review reflects the benefit of our program of consolidating operations of certain subsidiaries. The dynamic "TOOKE-VAN HEUSEN" label was successfully introduced to the Canadian consumer, two sales forces were merged into one efficient functional organization and other administrative changes made, all of which enabled your Company to effect considerable savings in overhead, improved production facilities and a more efficient operation.

Although the plants have been well maintained physically, we are now faced with a program of replacement and modernization of most of our sewing and other production equipment. Continually increasing labour costs can only be offset by the introduction of the most modern machinery available to-day. A comprehensive study is now underway to determine the extent of this program. This year, however, new cutting tables and cutting room equipment has recently been installed in our enlarged cutting room in Cap de la Madeleine plant as well as some new sewing room machinery. These can only be installed on a gradual basis consistent with the size of our mechanical staff and without interfering with our production. This will entail a financial expenditure in excess of our annual depreciation provision for some years to come.

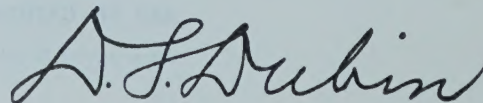
The Canadian apparel industry which includes the manufacture of shirts, pyjamas and allied products is the largest employer of manufacturing labour in Canada. In fact, it ranks ahead of our suppliers in the textile industry. We are still disturbed by the flood of imports from low-wage countries with whom we are forced to compete on a basis of higher labour costs inherent in our high standard of living. This problem may become still more acute if the tariff negotiations now being held in Geneva between the trading nations of the world result in Canada making tariff concessions on manufactured apparel items such as shirts, etc. This will give these low-wage countries a still greater advantage than they now enjoy. We are hopeful that our government will deal with this difficult problem in a manner that our industry will be able to provide additional employment in the years to come.

Our labour relations were maintained on a harmonious basis. The contracts with the Union terminate at the end of December 1964 and negotiations will be started in the Fall. Our employees must realize that the point has been reached when it is impossible to constantly increase labour rates on an extremely competitive market without compensating increased productivity. It is essential that our employees and the Union leadership which bargains collectively for them understand this and it is anticipated that our relations will continue on an amicable basis when the labour contracts come up for renewal.

On April 20th, 1964 your directors enacted By-law XXIII, a copy of which is enclosed with the Notice calling the annual meeting of shareholders on June 12th, 1964. The purpose of this By-law is to amend the designations and functions of the officers of the Company as the previous By-laws were enacted a good many years ago and our solicitors are of the opinion that this should be brought more into line with current practice.

The demand for our products during the current year has been most gratifying and it would appear that our efforts in effecting economies and increased efficiency through consolidation is starting to bear fruit. Much still remains to be done and your directors are concentrating their efforts towards this goal. This can only be achieved with the sincere co-operation and diligence so amply shown by our employees and others during the past year which is gratefully acknowledged.

Submitted on behalf of the Board.



President

May 11th, 1964



## RAPPORT DES DIRECTEURS AUX ACTIONNAIRES

Votre Conseil d'Administration a le plaisir de vous présenter ce 58ième rapport accompagné des états financiers attesté par les vérificateurs de la Compagnie pour l'année fiscale terminée le 31 décembre 1963.

Les états financiers ont été consolidés pour faire apparaître les opérations de fabrication de la Compagnie. Le bénéfice net consolidé pour l'année est \$218,250 après provision de \$93,341 pour dépréciation de l'actif immobilier et provision de \$20,786 pour l'impôt sur le revenu.

Le fonds de roulement s'élève à \$2,042,541 contre \$1,264,468 à la fin de l'année précédente soit une augmentation de \$778,073. La dette à long terme au contraire a augmenté de \$498,290 et s'élève actuellement à \$1,630,380.

Il faut remarquer que l'excédent des disponibilités sur le passif est de \$412,161.

Les profits non-répartis ont augmenté de \$218,250, qui représentent les profits de l'année réinvestis dans la Compagnie pour augmenter le fonds de roulement.

Nous attirons votre attention sur la somme de \$124,680 incluse au poste des dettes à long terme et représentant le fonds d'amortissement des obligations. Ces obligations à échéance du 1er octobre 1968 font partie de la somme de \$597,915, obligations impayées émises par Tooke Bros. Ltd. en 1953. Votre compagnie a une participation majoritaire dans cette société depuis juillet 1959 et détient plus de 75% du montant principal de ces obligations, le solde de \$124,680 étant détenu par d'autres. Suivant les spécifications de l'acte fiduciaire du 1er Octobre 1953 conclu entre la Royal Trust Co. et Tooke Bros. Ltd. votre Conseil d'Administration a décidé le 20 avril 1964 de ratifier l'annulation de ces obligations en les convertissant sur la base de leur valeur équivalente en actions préférentielles de Tooke Bros. Ltd. entièrement souscrits et non cessibles. Il en résulte que votre société recevra des actions préférentielles supplémentaires de Tooke Bros. Ltd. et que la Compagnie ne sera pas obligée d'appeler un versement pour financer le remboursement de \$124,680 qui sans cela serait exigible le 1er octobre 1968. Cette modification permettra également de réaliser une économie annuelle de \$6,234 sur les frais d'intérêts.

Cette année nous avons bénéficié du programme de consolidation avec certaines de nos filiales. La marque "TOOKE-VAN HEUSEN" en pleine expansion a été introduite avec succès dans le marché canadien. Deux services de Vente ont fusionné en une organisation fonctionnelle efficace et d'autres changements administratifs ont été apportés; cela a permis à notre compagnie de réaliser des économies considérables en frais généraux, d'améliorer les moyens de production et de rendre l'affaire plus prospère.

Bien que les usines aient été bien entretenues, nous devons maintenant envisager un programme de remplacement et de modernisation de la plupart de notre machinerie de couture et de production. Le coût de la main-d'oeuvre toujours croissant ne peut être compensé que par l'introduction des machines les plus modernes disponibles actuellement. Une étude d'ensemble est en cours pour déterminer l'étendue de ce programme. Cette année cependant de nouvelles tables de coupe et l'équipement de l'atelier ont été récemment installés dans notre atelier de coupe agrandi de notre usine du Cap de la Madeleine. Des machines à coudre neuves ont également été installées dans nos ateliers de couture.

Ces machines ne pourront être mises en place que progressivement étant donné l'importance de notre service d'entretien et aussi pour ne pas gêner les opérations de production. Cela entraînera des dépenses supérieures au montant annuel de nos provisions pour dépréciation dans les quelques années à venir.

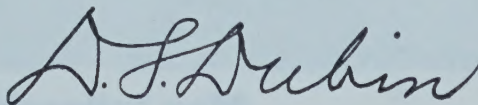
L'industrie canadienne du vêtement qui englobe la fabrication de chemises, pyjamas et autres vêtements de même nature est celle qui emploie la plus grande partie de la main-d'oeuvre manufacturière du Canada. En fait, elle se place même en tête des fournisseurs de l'industrie textile. Nous sommes encore gênés par le flot d'importation provenant des pays à bas salaires et nous devons faire face à leur concurrence alors que notre production repose sur des coûts de main-d'oeuvre élevés en raison de notre haut "niveau de vie". Ce problème deviendra plus crucial encore si les négociations sur les taxes à l'importation qui se tiennent en ce moment à Genève et rassemblent des nations commerçantes du monde, aboutissent à des concessions de la part du Canada dans le domaine des importations de vêtements manufacturés tels que chemises etc... Ceci donnerait aux pays à bas salaires des avantages additionnels. Nous espérons que notre gouvernement résoudra ce problème difficile de sorte qu'il soit possible à notre industrie d'être une source d'emploi supplémentaire dans les années à venir.

Nos ouvriers ont continué à travailler dans un climat harmonieux. Le contrat conclu avec le syndicat expire à la fin de décembre 1964 et les négociations reprendront dès l'automne. Nos employés doivent comprendre que sur ce marché très concurrentiel, l'on a atteint un point où il n'est plus possible d'augmenter le taux de la main-d'oeuvre sans un accroissement de productivité compensateur. Il est nécessaire que nos employés et les dirigeants syndicaux qui doivent conduire les négociations collectives comprennent ceci; ainsi nos rapports pourront rester amicaux au moment où la convention devra être renouvelée.

Le 20 avril 1964, vos directeurs ont passé l'article XXIII dont nous joignons une copie à la convocation de l'Assemblée Annuelle des Actionnaires du 12 juin 1964. L'objet de cet article est de modifier l'appellation et les fonctions des dirigeants de la Compagnie, car les articles antérieurs datent de plusieurs années déjà et nos conseillers légaux pensent que ceux-ci devraient mieux se conformer aux usages actuels.

Au cours de l'année, les demandes pour nos produits ont été très encourageants et il apparaît que nos efforts en vue de réaliser des économies et d'augmenter notre productivité — grâce aux opérations de consolidation — aient commencé à porter leurs fruits. Beaucoup reste encore à faire et nos directeurs concentrent tous leurs efforts dans ce but. Ceci ne peut être atteint qu'avec la coopération sincère et grâce à la diligence dont nos employés et autres ont fait preuve l'année précédente. Qu'ils en soient sincèrement remerciés.

Respectueusement soumis par le Conseil d'Administration.



Président.

Montréal, le 11 mai 1964.





### **Man tailored and woman flavoured**

Lovely **Susan Van Heusen** man-tailored shirts, provocatively feminine, stay fresh and lively because they're blended of 65% 'Terylene'\* / 35% cotton. Those enticing pleats, ruffles and flounces are here to stay, fashion-lovely and crisp all day.

\*REGISTERED TRADEMARK. 'TERYLENE' POLYESTER FIBRE IS SOLD IN CANADA BY C-I-L

*Susan* **VAN HEUSEN**





## Men wanted

Men who look for detail in a shirt. Men who want that beautiful **Tooke/Van Heusen** fit everywhere. Collar. Cuff. Shoulder. Waist. Men who appreciate an easy blend of 65% 'Terylene'\*/35% cotton that lets those crisp good looks last all day, and through countless washings too.

\*REGISTERED TRADEMARK. 'TERYLENE' POLYESTER FIBRE IS SOLD IN CANADA BY C-I-L

# TOOKE/VAN HEUSEN



# THE CANADIAN CONVERTERS' COMPANY LIMITED

## AND ITS CONSOLIDATED SUBSIDIARY COMPANIES

### ASSETS

CURRENT ASSETS	1963	1962
Cash .....	13,213	22,733
Marketable investments — at cost (quoted market value \$42,685) .....	24,629	24,581
Accounts and notes receivable (including directors' and shareholders' accounts of \$16,543) .....	2,345,606	2,481,128
Inventories — at the lower of cost or market .....	2,204,389	2,204,248
Prepaid expenses .....	39,967	49,464
	<u>4,627,804</u>	<u>4,782,154</u>
 BALANCE RECEIVABLE ON SALE PRICE OF PROPERTY		
due in annual instalments of \$10,000, with interest at 5% .....	70,000	80,000
 INVESTMENTS		
Shares — at cost		
Subsidiary company, not consolidated (Note 1) .....	598,336	598,336
Affiliated company .....	32,500	32,500
Other .....	9,043	5,742
	<u>639,879</u>	<u>636,578</u>
 PROPERTY, PLANT AND EQUIPMENT		
Land, buildings, machinery and equipment (Note 3) .....	3,317,013	3,301,018
Accumulated depreciation .....	1,764,562	1,712,760
	<u>1,552,451</u>	<u>1,588,258</u>
 DEFERRED EXPENDITURE .....	—	17,718
 GOODWILL, PATENTS AND TRADEMARKS .....	146,998	148,307
	<u>\$7,037,132</u>	<u>\$7,253,015</u>

SIGNED ON BEHALF OF THE BOARD

D. S. DUBIN, C.A.

W. A. HUTCHESON, F.C.I.S.

} Directors



# CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 1963

(with comparative figures as at December 31, 1962)

## LIABILITIES

### CURRENT LIABILITIES

	1963	1962
Bank advances — secured (Note 4) .....	1,798,000	2,606,923
Accounts payable and accrued expenses .....	662,462	844,568
Income taxes .....	15,944	—
Other taxes .....	108,857	66,195
	<u>2,585,263</u>	<u>3,517,686</u>

### LONG-TERM DEBT

Bank loan — secured (Note 4) — payable in annual instalments of \$75,000 from December 1, 1964 to 1973 with a final instalment of \$250,000 on December 1, 1974 .....	1,000,000	400,000
5-5½ % First mortgage loan payable in annual instalments to 1981 .....	425,000	438,000
5% Debentures payable on October 1, 1968 .....	80,700	166,750
5% Sinking fund debentures maturing October 1, 1968 .....	124,680	127,340
(included in long-term debt are amounts aggregating \$88,000 due within one year)	<u>1,630,380</u>	<u>1,132,090</u>

### SHAREHOLDERS' EQUITY

Capital stock —		
Authorized —		
125,000 Class "A" shares of a par value of \$20 each....	\$2,500,000	
100,000 Class "B" shares of no par value .....	<u>—</u>	
Issued and fully paid —		
69,340 Class "A" shares .....	1,386,800	1,386,800
34,670 Class "B" shares .....	34,670	34,670
	<u>1,421,470</u>	<u>1,421,470</u>
Retained earnings .....	1,400,019	1,181,769
	<u>2,821,489</u>	<u>2,603,239</u>
	<u>\$7,037,132</u>	<u>\$7,253,015</u>



# THE CANADIAN CONVERTERS' COMPANY LIMITED

## AND ITS CONSOLIDATED SUBSIDIARY COMPANIES

### CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1963

(with comparative figures for 1962)

	<u>1963</u>	<u>1962</u>
OPERATING EARNINGS — before the following items	482,745	117,482
Executive remuneration .....	101,981	93,820
Directors' fees .....	3,500	3,500
Legal fees .....	3,980	9,488
Depreciation of fixed assets .....	93,341	68,868
Interest on long-term debt .....	<u>66,930</u>	<u>54,510</u>
	269,732	230,186
Investment income .....	<u>26,023</u>	<u>23,401</u>
	239,036	(89,303)
Provision for current year's income taxes .....	153,286	1,324
Reduction on application of losses in prior years ....	<u>132,500</u>	<u>20,786</u>
	—	1,324
NET EARNINGS OR (LOSS) FOR THE YEAR .....	<u>\$218,250</u>	<u>\$ (90,627)</u>

### CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1963

(with comparative figures for 1962)

	<u>1963</u>	<u>1962</u>
BALANCE — BEGINNING OF YEAR .....	1,181,769	1,272,396
Net earnings or (loss) for the year .....	218,250	(90,627)
BALANCE — END OF YEAR .....	<u>\$1,400,019</u>	<u>\$1,181,769</u>

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1963

1. The subsidiary company whose accounts have not been consolidated is Alexander Building Corporation. The parent company's share of the net earnings of this subsidiary for the year ended April 30, 1963 was \$18,340.
2. The accumulated losses of a subsidiary company, Tooke Bros. Limited, which are attributable to the minority shareholders exceeds the par value of their shares. This excess of losses has been charged to consolidated retained earnings and accordingly no minority interest appears in either the balance sheet or statement of earnings.
3. The fixed assets of the parent company are included at appraised value as at April 30, 1945 as determined by The Industrial Valuation Co. Ltd. with subsequent additions at cost, and those of the consolidated subsidiary companies are at cost.
4. The parent company and two subsidiary companies have each authorized and issued \$2,500,000 of 6% secured debentures payable on demand as collateral security for the bank loan and advances.
5. Contingent Liability — Guarantee of repayment of a mortgage previously held by a subsidiary company — \$40,000.



# MCDONALD, CURRIE & CO.

CHARTERED ACCOUNTANTS

INTERNATIONAL FIRM  
COOPERS & LYBRAND

TELEPHONE 875-5140  
630 DORCHESTER BOULEVARD WEST  
MONTREAL 2, CANADA

April 27, 1964

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of The Canadian Converters' Company Limited and its consolidated subsidiary companies as at December 31, 1963 and the consolidated statements of earnings and retained earnings for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In accordance with the provisions of Section 118 of the Companies Act, we report that the profits for the year of the partly-owned subsidiary company, which is not consolidated, in so far as they concern the parent company, have not been included in the accompanying accounts.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statements of earnings and retained earnings, when read in conjunction with the notes appended thereto, are properly drawn up so as to exhibit a true and correct view of the consolidated state of the affairs of the companies as at December 31, 1963 and the consolidated results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*McDonald, Currie & Co.*

CHARTERED ACCOUNTANTS



